Supreme Court, U.S.
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No. 01-680

In The

Supreme Court of the United States

HALLMARK CARDS, INCORPORATED,

Petitioner,

v.

GROUP ONE LTD.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF RESPONDENT GROUP ONE, LTD. IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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QUESTIONS ACTUALLY PRESENTED FOR REVIEW

1. Did the Federal Circuit err in concluding that under the facts of this case – where no details of the invention were disclosed, including how it worked or even how much it would cost – there was no definite offer to sell the patented invention as required by Federal Circuit precedent?

2. Did the Federal Circuit err in setting forth a bright-line test for the on-sale bar, namely, only an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under § 102(b), particularly where the bright-line test is consistent both with binding precedent and all other cases cited by Petitioner?

RULE 29.6 LISTING

There are no parent companies or nonwholly-owned subsidiaries of Respondent Group One Ltd.

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I. COUNTERSTATEMENT OF THE CASE

A. Factual Background

In its Statement of the Case, Petitioner Hallmark Cards, Inc. ("Hallmark") avers that certain pre-critical date communications by Respondent Group One, Ltd. ("Group One") "would have triggered the on sale bar under its [the Federal Circuit] prior jurisprudence." (Petition at 7).

The Federal Circuit certainly never so held; indeed *all* that the Federal Circuit ever said about Group One's conduct was that

> On appeal here, the parties do not dispute the conclusion by the district court, with which we agree, that no such commercial offer to sell was made.

(*Id.* Appendix C at 15a). This conclusion was not only undisputed, it was unassailable.

Filling in Hallmark's bare bones synopsis of the facts, Mr. Goldstein of Group One did indeed write to Hallmark in the summer of 1991, informing Hallmark that

> We have developed a machine which can curl and shred ribbon . . . We could provide the machine and/or technology and work on a license/royalty basis. (A1150).

Prior to Mr. Goldstein's invention, Hallmark (the world's leading marketer of gift accessories) had sold hundreds of millions of dollars worth of *uncurled* ribbon. In spite of Hallmark's market experience and expertise, it had never occurred to Hallmark that ribbon could be sold in a precurled state, for example as a gift box filler

(instead of tissue paper) or as preformed "curly" bows. Not only was the precurled ribbon product new, but so too was Mr. Goldstein's machine for mass-producing it. Contrary to Hallmark's assertion that "[t]his process had been mechanized for decades" (Petition at 3), the only "prior art" relied upon by Hallmark was the same old patent cited by the PTO which describes a limited production device for curling *paper*. (*See*, A2318-21).

It was only after the critical date that (in the words of the Federal Circuit):

> Hallmark and Goldstein arranged a meeting to discuss details of the curling and shredding machine for February 17, 1992. Prior to the meeting, the parties negotiated a Confidential Disclosure Agreement ("CDA") regarding the technology to be discussed at the meeting. However, despite essential agreement on the terms of the CDA, Hallmark never signed it. On February 14, 1992, shortly before the scheduled meeting, Goldstein had a telephone conference with a Hallmark engineer, in which the parties discussed details of Group One's machine and method. At the time, Goldstein had signed the CDA and (incorrectly) believed it to be in effect. Hallmark then cancelled the planned February 17 meeting, deciding it would instead evaluate its own internal capability of producing a curling and shredding machine.

(Petition at 7a). Hallmark did just that, and went on to sell literally tens of millions of dollars worth of the new precurled ribbon product.

Prior to the critical date (which was November 12, 1991), however, Mr. Goldstein refused to tell Hallmark

anything at all about his new machine: how it worked, its capacity, when or whether it could be delivered, *even the price*.

At all times prior to the critical date, Hallmark was utterly and completely clueless about Mr. Goldstein's machine. Far from being an "offer" under any standard applied in any prior case, Mr. Goldstein's pre-critical date communications were so devoid of detail as to render them useless in the real world of commerce, whether as an "offer," or even as a disclosure of Mr. Goldstein's invention.

This is borne out by the fact that it was three months *after* the critical date that Hallmark, through its chief engineer, finally responded to Mr. Goldstein's inquiries:

> First of all, I apologize for the delay in getting back to you. . . . As an engineer, I am interested in rate of product, power requirements (electricity, air, water), space requirements, weight, *method of operation* and *cost*. (A276).

Since Hallmark's own chief engineer was in the dark as to these most basic of details, it defies reality even to allege that anyone at Hallmark could have believed that they had an "offer" in hand. For all that Hallmark knew, Mr. Goldstein's "machine" could have been nothing more than a scissor blade across which uncurled ribbon is dragged, a device with which we are all familiar since childhood.

Hallmark's glib characterizations notwithstanding, Goldstein never told anyone anything else about his machine, and the district court so found:

> The indefinite nature of these communications and lack of specific terms, e.g. price is not mentioned, suggests that [the] communications were preliminary proposals or invitations to negotiate a sale of the product. . . . Group One's communications manifest an intent to begin negotiations and solicit preliminary proposals.

(Petition at 46a-49a).

It is these meager facts which Hallmark asserts "would have triggered the on sale bar under its [the Federal Circuit's] prior jurisprudence." (*Id.* at 7). What this "prior jurisprudence" is Hallmark does not say, and Hallmark is still unable to cite a single case which would have provided the basis for morphing Goldstein's letter into an offer for sale under 35 U.S.C. § 102(b).

B. The Federal Circuit Opinion Below

The Federal Circuit's opinion (Petition at 4a-24a) is noteworthy for its clarity, both as to what it did and did not undertake to do.

First, and foremost, the Federal Circuit faced head-on its own prior statement in *RCA Corp. v. Data General Corp.*, 887 F.2d 1056 (Fed. Cir. 1989), i.e., that the "requirement [of a definite offer for sale] may be met by a patentee's commercial activity which does not rise to the level of formal offer under contract law principles." By correctly noting that in *RCA* it was admitted that there was in fact an offer that could have been "accepted," the Federal Circuit made it clear that its statement was classic *dictum*. Just as important, the Court acknowledged that this *dictum* "opens up a vast sea of uncertainty, and

requires a whole new mode of analysis, one whose parameters remain ill-defined." (Petition at 13a).

Even as *dictum*, the statement was not rejected lightly. The Federal Circuit looked to its own *controlling precedent*, and noted, again correctly, that

> the parties have cited no other Federal Circuit cases since *RCA* that have actually found an offer to be an offer for sale for § 102(b) purposes unless the offer was a formal offer in the contract sense. In short, there is no binding precedent in this circuit that requires us to accept something less than an offer to contract as constituting an offer for sale as that term is construed for purposes of the on sale bar of 35 U.S.C. § 102(b).

(*Id.* at 11a).

Hallmark, in spite of its shrill protests that the Federal Circuit decision "radically changed" the on sale analysis (*Id.* at 2, 6), is still unable to cite a single case that imposed the bar based upon, in the words of the Federal Circuit, "something less than an offer to contract."

Having concluded that its own precedent was entirely consistent, and that the on sale bar had been imposed only when "the offer was a formal offer in the contract sense," the Federal Circuit clarified once and for all what its prior decisions had implied:

> Only an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under § 102(b).

(*Id.* at 14a). By formulating such a precedent-consistent and bright-line standard, the Federal Circuit addressed the need acknowledged by this Court in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 65 (1998):

> Petitioner correctly argues that these provisions [Section 102(b)] identify an interest in providing inventors with a definite standard for determining when a patent application must be filed.

The Federal Circuit's decision is also notable for what it did *not* undertake to do. As noted by the Court

> We do not mean to suggest that it will always be easy to ascertain whether a set of interactions between parties constitutes a commercial offer to sell. Nor do we propose to offer rules or even binding guidance for making such determinations, which offer would be little more than *obiter dictum*.

(*Id.* at 15a).

Having expressly refrained from even attempting to delineate how the above standard should be applied in each future case, the Federal Circuit nonetheless stated its confidence that this would prove to be a practical and workable undertaking. For example, the Court envisioned that in future cases "we will look to the Uniform Commercial Code ("UCC") to define whether, as in this case, a communication or series of communications rises to the level of a commercial offer for sale." The Federal Circuit also acknowledged that

> [t]he Supreme Court's formulation in *Pfaff* also supports consulting the UCC. The Supreme Court has also cited the Restatement of Contracts with approval in the commercial contract

> law context. *See Mobil Oil, Inc. v. United States*, 530 U.S. 604, 606-10 (2000).

It is this bright-line, yet flexible, test that Hallmark asks this Court to undo. According to Hallmark, this Court should revert to the *RCA dictum*, and undertake to hypothesize as to whether and to what extent "commercial activity which does not rise to the level of a formal 'offer' under contract law principles . . . such as advertising and promotion" might also meet the test.

The Federal Circuit decision also is notable for what it did *not* do.

First, its statement in *RCA* that

> [w]here there is no sale, a definite offer to sell is an essential requirement of the on sale bar

remains the law. The decision below merely clarifies the scope and meaning of a "definite offer to sell."

Second, the decision below did not deal at all with the statutory provisions that bar a patent for other reasons, for example, the § 102(b) provision that bars a patent on an invention that is in "public use" prior to the critical date. Thus by acknowledging that the "on sale" provision does not bar all "commercial" activities, the Federal Circuit left untouched the statutory provision whereby these *same* activities may be sufficient to create a *"public use"* bar. Included here would be the very activities that Hallmark here contends are permitted, indeed encouraged, by the Federal Circuit decision. Thus according to Hallmark

> Under the Court of Appeals' new framework, an inventor could now market an invention

> throughout the land by soliciting potential customers (as was found in the case at bar), attending trade shows, and even parroting verbatim the language of the statute – "My invention is on sale" – without triggering the on sale bar. The Court of Appeals acknowledged that activity of a clear commercial nature, such as "advertising and promoting of a product" – which, prior to its decision, would have been considered clear evidence that an invention was "on sale" – would not trigger the on sale bar. (15a.)

(Petition at 11).

What Hallmark does not acknowledge is that even under the Federal Circuit's decision, these same activities (soliciting customers, attending trade shows) cannot be undertaken with impunity, or without the risk that the invention will be deemed to have been "in public use" and hence not patentable. Indeed, and as explained *infra*, some of the very cases which Hallmark cites as embodying a lower standard for imposing the on sale bar (e.g., invalidating a patent because of trade show activities), in actual fact held the patent to be invalid because these activities violated the "public use" bar.

In total disregard of the "public use" bar to patent invalidity, Hallmark goes so far as to assert in its Statement of the Case that

> reversing the Federal Circuit's decision will prevent the issuance of *thousands of patents* on inventions that have been marketed for years without patent applications being filed, and that were presumed by unsuspecting competitors not to be subject to patents.

> Hallmark seeks review and reversal of this erroneous decision now to minimize the adverse effects of a later reversal on *thousands of patent holders* who will market their inventions on the basis of the Federal Circuit's erroneous decision only to later find out that they no longer have a valid patent.

(*Id.* at 3; emphasis added).

Hallmark's "sky is falling" prediction notwithstanding, the statutory "public use" bar awaits the inventor who would think that solely by avoiding a "commercial offer for sale," one is free to publicly "market" an invention indefinitely without losing the right to a patent.

Since it was conceded that Group One's pre-critical date activities did not come close to satisfying the clarified "on sale" test, the Federal Circuit reversed the district court's holding of invalidity, and remanded the case to the district court for trial on the merits, including Hallmark's other defense(s) of invalidity.

The Federal Circuit also declined to address Group One's alternative theory that "it was offering only to license the patent to Hallmark, and was not offering to license or sell the invention as such." (*Id.* at 15a). Although Judge Lourie would have found "no on-sale bar occurred [because . . . the proposal] . . . was an offer to grant a license under the eventual patent, not an offer to sell the patent and machine" (*id.* at 22a-24a), the panel majority held that "our disposition of the on-sale bar issue . . . relieves us of having to further address this issue." (*Id.* at 16a).

Thus the decision here appealed is not a final judgment in any respect.

II. REASONS FOR DENYING THE PETITION FOR A WRIT OF CERTIORARI

"A petition for a writ of certiorari shall be granted only for compelling reasons." (Supreme Court Rule 10). Supreme Court Rule 10, although "neither controlling nor fully measuring the Court's discretion," provides guidelines as to the "character of the reasons the Court considers" in deciding whether to grant a petition. Included here is whether "a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter." Also, while not specifically proscribed by Rule 10, this Court has scrupulously avoided the adjudication of purely hypothetical issues not presented or implicated by the facts of the case at bar. This is particularly true where, as here, there is not even a final judgment in place.

In the present case, there are compelling reasons for *denying* Hallmark's petition.

A. The "Question Presented" Is Not Ripe for Review

1. The Petition Is Not Taken from a Final Judgment

Although the judgment below is not final – indeed the case stands remanded to the district court for trial – Hallmark suggests that the Court should "hear this case

now rather than await a final judgment on the merits and further appeal. *See* Sup. Ct. R. 11." (Petition at 9). As is noted in Rule 11,

> a petition for a writ of certiorari . . . before judgment . . . will be granted only upon a showing that the case is of such imperative public importance as to justify deviation from normal appellate practice and to require immediate determination in this Court.

This heightened burden, particularly when applied in view of the reasons set forth below, militates strongly against the granting of the writ.

2. Hallmark's "Question Presented" Is Hypothetical and Is Not Tied to the Facts of this Case

The "Question Presented" as set forth by Hallmark is framed independently of the facts of this case. As noted above, the facts of this case are spare and undisputed: Mr. Goldstein wrote to Hallmark and informed them that he had invented a ribbon curling and shredding machine. He refused to tell Hallmark anything about his machine, including what it was, how it worked, or how much it might cost. He never promoted or advertised his machine publicly. Prior to the critical date he did nothing that would have placed the invention in the possession of the public, even temporarily.

Rather than frame its petition in the context of these facts, Hallmark treats this case as though it has nothing at all to do with Group One's actual conduct. Instead Hallmark comes to this Court under the premise that this Court should undertake to offer a purely advisory

opinion as to *possible* conduct of *others* that *might* trigger the on sale bar. A simple reading of Hallmark's "Question Presented" bears this out:

> Are the circumstances in which an invention is "on sale" within the meaning of 35 U.S.C. § 102(b) limited solely to "an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration,)" as held by the Court of Appeals for the Federal Circuit below, *or do such circumstances also include "commercial activity* which does not rise to the level of a formal 'offer' under contract law principles," *such as* advertising and promotion, as the Federal Circuit had previously stated?

(Petition at (i), emphasis added).

By such a question, what does Hallmark want this Court to do? To say "yes," there may be some as yet undefined circumstances that do not rise to the level defined by the Federal Circuit below and yet should trigger the bar? Does Hallmark want this Court to attempt to define these circumstances, indeed to "offer rules or even binding guidelines . . . which offer would be little more than *obiter dictum*"? (*Id.* at 15a).

Once Hallmark's proffered question is recognized for what it really is, the denial of Hallmark's petition becomes a given. As noted by this Court in *Conway v. California Adult Authority*, 396 U.S. 107, 110 (1969):

> In this state of affairs, we decline to adjudicate this case. Were we to pass upon the purely artificial and hypothetical issue tendered by the petition for certiorari we would not only in effect be

rendering an advisory opinion but also lending ourselves to an unjustifiable intrusion upon the time of this Court.

3. Even a Reversal or Modification of the Federal Circuit's Decision Would Not Affect the Validity of the Group One Patents

Given the purely hypothetical nature of Hallmark's "Question Presented," it should not be surprising that even a grant of the writ likely will still ultimately result in a holding of patent validity in the present case.

By purporting to respect "prior jurisprudence," Hallmark virtually concedes that under the undisputed facts of this case, a holding of patent invalidity cannot be here forthcoming.

The district court below put this issue to rest when it made the following factual finding:

> The indefinite nature of these communications and lack of specific terms, *e.g.*, price is not mentioned, suggests that [the] communications were preliminary proposals or invitations to negotiate a sale of the product. . . . Group One's communications manifest an intent to begin negotiations and solicit preliminary proposals.

(Petition at 46a-49a). One need only compare this finding (which Hallmark does not challenge) with the "prior jurisprudence" of *RCA* (which Hallmark also does not challenge):

> Where there is no sale, a definite offer to sell is an essential requirement of the on sale bar.

887 F.2d at 1072. Were that not enough, the *RCA* Court went on to further craft the rule so as to expressly exclude the Group One/Hallmark communications as described by the district court, i.e.:

> The requirement of a *definite* offer excludes merely indefinite or nebulous discussions about a possible sale.

(*Id.*, emphasis in original).

Unless this Court goes well beyond even Hallmark's hypothetical Question Presented, and decides to overrule *RCA* in its entirety, the Group One patents will survive unscathed. It is respectfully submitted that this Court should not exercise its jurisdiction on certiorari where the ultimate outcome of the case will not be affected by the grant of the writ.

B. The Federal Circuit's Decision Is Not Contrary to any Precedent

1. The Court of Appeals Decision Is Consistent with the Court's Reasoning in *Pfaff*

Hallmark urges strenuously that the Federal Circuit's opinion is contrary to this Court's "reasoning" in *Pfaff*. Rather than offer support for this proposition, however, Hallmark actually explains why *Pfaff*, if anything, *supports* the Federal Circuit's reasoning.

First, Hallmark concedes that *Pfaff* dealt only with "the second ['ready for patenting'] prong of the test." (Petition at 15). To the extent *Pfaff* referred at all to the first "commercial offer for sale" prong, Hallmark's reliance is completely misplaced.

In this regard, Hallmark repeatedly argues that this Court, by referring to a "commercial offer for sale" as the other prong of the test, actually meant that there need not be an "*offer*" at all, and that any "commercial" *activity* is enough to trigger the bar.

Rather than explain this leap of faith, and point out how the statutory "on sale" bar has been expanded by *Pfaff* to include activities that do not even amount to an *offer* for sale, Hallmark quickly pulls back. In actuality (and in Hallmark's own words)

> The *Pfaff* Court, however, used the term "commercial" only to distinguish prohibited offers from experimental activity. 525 U.S. at 67 ("[t]here is no question that the sale was commercial rather than experimental in character").

(Petition at 16). Quite simply, and as conceded by Hallmark, this Court's use in *Pfaff* of the term "commercial offer" was in a context quite removed from any issue, however hypothetical, here presented.

What *Pfaff* did do was acknowledge the public's "interest in providing inventors with a definite standard for determining when a patent application must be filed." 325 U.S. at 56. As to the second prong of the on sale test, the *Pfaff* decision fulfilled this interest. As to the first prong, however, the Federal Circuit correctly noted that even post-*Pfaff* there remained a "vast sea of uncertainty." The Federal Circuit has now removed this uncertainty with a bright-line test.

2. The Federal Circuit Decision Is Consistent with Its Precedent in *RCA*

In its petition, Hallmark states that the Federal Circuit's decision is inconsistent with its earlier precedent as embodied in *RCA*. In actual fact, *RCA* has long stood and continues to stand for a single proposition, i.e.:

> Where there is no sale, a *definite offer to sell* is an *essential requirement* of the on sale bar.

RCA, 887 F.2d at 1062. The Federal Circuit decision in this case left this rule of law intact, and merely clarified what the standard for a "definite offer" should be.

What the Federal Circuit put to rest, however, was the *dictum* in *RCA* that an offer for sale need not "rise to the level of a formal 'offer' under contract law principles." It is this *dictum* that heretofore has spawned a "vast sea of uncertainty" – the district court decision in this case being a prime example of how a court could be misled by *RCA*'s *dictum* into ignoring the "definite offer to sell" requirement of *RCA*.

3. The Federal Circuit Decision Is Consistent with the Other Cases Cited by Hallmark

In its petition, Hallmark avers that "the Federal Circuit decision . . . represents a significant departure from *prior jurisprudence*." (Petition at 10; emphasis added). Given the high barrier to the grant of certiorari, if the decision below were indeed in conflict with even one binding precedent, it would certainly have behooved Hallmark to cite and explain the conflict in detail.

Certainly the Federal Circuit threw down the gauntlet to Hallmark by stating

> In short, there is no binding precedent in this circuit that requires us to accept something less than an offer to contract as constituting an offer for sale as that term is construed for purposes of the on-sale bar of 35 U.S.C. § 102(b).

(*Id.* at 11a). Hallmark not only has failed to find any such precedent, but it comes up with nothing at all that would back up its promise of

> prior expressions of this Court and others . . . dating back 150 years, which have emphasized any form of commercialization by the patent holder prior to the critical date – not a formal contract offer – as the touchstone for applying Section 102(b).

(Petition at 8).

RCA itself, aside from its *dictum*, could have provided the very rule of law now delineated by the Federal Circuit below, since the Federal Circuit there expressly noted that

> RCA acknowledges that FAA could have accepted RCA's proposal which is the characteristics of a definite formal offer.

Under the circumstances, *RCA* is a prime example of a "commercial offer for sale, one which the other party could make into a binding contract by simple acceptance."

At page 16 of its petition, Hallmark cites three more cases which it contends support the proposition that "[d]iscussions with potential customers, participation at

trade shows, making advance sales calls all were expected to start the clock running." Unfortunately for Hallmark, these cases fall well short of the cited mark.

Thus in *General Elec. Co. v. United States*, 206 U.S.P.Q. 260, 269-70 (Ct. Cl. Tr. Div. 1979), the "on sale" holding was based upon actual orders "from seven different companies . . . [which] were filled by delivery . . . prior to the critical date."

Aoki Technical Lab., Inc. v. FMT Corp., 26 F.Supp.2d 319, 325 (D.N.H. 1998) is similarly unhelpful to Hallmark. Apparently cited because of its discussion of the inventor's demonstration of his invention at a trade show (something Mr. Goldstein never did), the holding therein was further based upon "additional evidence of price quotations (oral and written), as well as follow-up calls to potential clients."

In *Strong v. General Electric Co.*, 434 F.2d 1042, 1043-44 (5th Cir. 1970), the court relied upon *actual sales* and deliveries *without restriction*, both prior to the critical date. Under those facts, the court found the patent to be invalid as being "on sale as well as in public use." 434 F.2d at 1045.

Clearly the bright-line standard of the decision below would not change the ultimate outcome of any of these cases.

Elsewhere in its petition, Hallmark cites two district court cases wherein it contends:

> commercial activities demonstrating that an invention was "on sale," but which fell short of a contractual offer for sale, have been found by

> the lower courts to trigger the on sale bar. *See, e.g., Linear Tech. Corp. v. Micrel, Inc.*, 63 F.Supp.2d 1103, 1125 (N.D. Cal. 1999) (promotional activities); *TRW Fin. Sys., Inc. v. Unisys Corp.*, 835 F.Supp. 994, 1003 (E.D. Mich. 1999) (same).

(Petition at 10).

In neither *Linear* nor *TRW* did the district court base its finding of invalidity solely upon "promotional activities." In *Linear*, there were three "pre-critical date orders by Micolong, Neye and Sumsk." 63 F.Supp.2d at 1126. Similarly, in *TRW*, there was an actual pre-critical date *contract* to install the patented system at Crocker Bank (the only issue being whether the contract was for a commercial or experimental system). Again the bright-line standard would have been met in these cases.

Hallmark's reliance upon *Pennock v. Dialogue*, 2 Peters (27 U.S.) 1 (1829) (Petition at 11-12) is likewise misplaced. The language Hallmark quotes from *Pennock* comports *exactly* with the Federal Circuit's decision, and in particularly with respect to the public policy underlying the § 102(b) on sale bar. In *Pennock*, the Supreme Court homed in on the public harm that would result were an inventor

> to hold back from the knowledge of the public the secrets of his invention . . . and make, and sell his invention publicly, and thus gather the whole profits of it, relying upon his superior skill and knowledge of the structure; and then, and then only, when the danger of competition should force him to secure the exclusive right, he should be allowed to take out a patent.

Once again, the Federal Circuit could have looked to *Pennock* for precedential support for its decision below. An inventor that makes and sells his invention publicly, while holding back his secrets, easily crosses the bright line drawn by the decision below.

In sum, the case law to date, whether precedential or selected at random by Hallmark, supports the decision of Federal Circuit below.

C. Hallmark's Doomsday Predictions Are Made Without Regard to the "Public Use" Bar of Section 102(b)

The patent statute, 35 U.S.C. § 102 provides that "[a] person shall be entitled to a patent unless" any one of a number of statutory bars are present. The § 102(b) "on sale" bar is but one of these statutory restrictions to patentability. Of no less import, however, is the bar set forth in the same statute subsection, § 102(b), that no patent shall issue if "the invention was . . . in public use . . . more than one year prior to the date of the application for patent in the United States."

As demonstrated *supra*, Hallmark has been unable to cite a single case wherein the outcome would have been affected by the Federal Circuit's clarification of the on-sale bar trigger. Without any support in the case law, Hallmark conjures various hypothetical conduct which it contends, as night follows day, will be encouraged and permitted by the decision below. Thus according to Hallmark

> under the Court of Appeals' new framework, an inventor could now market an invention

> throughout the land by soliciting potential customers (as was found in the case at bar), attending trade shows, and even parroting verbatim the language of the statute – "My invention is on sale" – without triggering the on sale bar. The Court of Appeals acknowledged that activity of a clear commercial nature, such as "advertising and promoting of a product" – which, prior to its decision, would have been considered clear evidence that an invention was "on sale" – would not trigger the on sale bar. (15a.) Such a result flouts the literal language of the "on sale" bar.

(Petition at 11). Further according to Hallmark

> one could simply run ads in a trade magazine until succeeding in making a sale years later. Under the Federal Circuit's decision, a house with a "For Sale" sign in front would not be "on sale" and the same would be true if such a sign were placed in front of an invention. The Federal Circuit's new test effectively would collapse the "on sale" bar into the "sold" bar.

(*Id.* at 14).

Hallmark's doomsday predictions are not new. They were made by Hallmark in its petition to the Federal Circuit for rehearing *in banc*, and the Federal Circuit denied the petition without dissent. The reason is clear. In both Hallmark petitions – for rehearing *in banc* and for a writ of certiorari – its dire promises were made without reference to or recognition of the *other* § 102(b) bar: the "public use" bar. Under each of the hypotheticals offered up by Hallmark, the conduct envisioned would easily create a "public use" bar without even implicating the

statutory "on sale" bar. Indeed, this is exactly what happened in *Strong* cited by Hallmark in the Federal Circuit and to this Court in support of its "commercial activity" standard.

And this is as it should be. The "public use" and "on sale" prohibitions (to patentability) work independently. Some activities might violate neither, some only one, some both. The fact that the "on sale" bar may not itself reach certain conduct does not mean that the conduct in question is thereby condoned.

Hallmark, by ignoring the express "public use" bar, implores this Court to *expand* the entirely separate "on sale" bar to prevent against any public disclosure of the invention, regardless of whether the disclosure actually places an invention "on sale."

Looking specifically to the § 102(b) "on sale" bar, Congress clearly did not prohibit all "commercially" motivated activity, for to do so would have gone beyond any policy considerations underlying the statute. Product planning, market studies, product brochure printing, sales staff briefing, even patent preparation, are all "commercial" in nature, and yet none are implicated by the statute or the public policy underlying it.

Quite a different result obtains when the *language of the statute* is implicated. In every case cited by Hallmark, there was indeed a "commercial offer for sale, one which the other party could make into a binding contract by simple acceptance," and the "on sale" bar applied.

Even if an inventor refrains from placing his invention on sale, but nonetheless discloses it to the public, the

"public use" bar comes into play. Where he does neither, and where no other statutory bar applies, he is entitled to his patent.

D. Without the Bright-Line Standard, the On Sale Bar Will Remain a Trap for the Unwary

According to Hallmark, inventors will be tempted by the decision below to push the § 102(b) bar to the limit, "to market an invention throughout the land . . . even parroting verbatim the language of the statute – 'My invention is on sale.' " (Petition at 11).

The Federal Circuit, the Court charged with the primary responsibility for interpreting and applying the patent laws, knows otherwise. The "vast sea of uncertainty . . . [that] requires a whole new mode of analysis, whose parameters remain ill-defined" was not churned up by scheming inventors. Rather, it was the accused infringers who, after suit was brought, searched the record and wherever possible pieced together an "on sale" defense. In virtually every reported case involving the on-sale bar, there was not a scintilla of evidence that the inventor knowingly undertook to violate the statute by intentionally undertaking to sell the invention while delaying for as long as possible the preparation and filing of a patent application. Quite to the contrary, the § 102(b) bar has consistently awaited the unwary. Judge Newman described this pre-*Pfaff* and pre-*Group One* state of affairs in *C. R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340 (Fed. Cir. 1998), *rehearing denied and suggestion for rehearing en banc declined*, 161 F.3d 1380 (Fed. Cir. 1998) as follows:

> The three different views in the three opinions of this panel on the on-sale issue point up the need for a more certain law than today exists. Inventors and those who commercialize inventions should reasonably know when the on-sale bar starts to accrue, instead of awaiting litigation-borne *post hoc* judicial evaluations of the totality of the circumstances, varying with the nature of the invention, the nature of the customer contact, and the judicial weight given to the conflicting policy interests.

Now with a bright-line standard in place, there should be far fewer baseless allegations of patent invalidity, and virtually no excuse for those who do violate the standard. Far from encouraging reckless conduct, the *Group One* test will serve as a notice to all who are willing to listen: "If you have placed your invention on sale, if you have an offer out there that a customer can act upon, file your patent application within a year or lose your rights." That was the bar put in place by Congress; that is the test now.

E. The *Group One* Bright-Line Standard Is Already Providing Certainty to the Patent Law

As noted above, the Federal Circuit expressed its confidence that the application of general contract principles to the first prong of the on-sale bar test would prove both flexible and workable. This confidence was not born in a vacuum, and has not proven to have been misplaced.

In this regard, prior to the decision below, the Federal Circuit had occasion to determine the meaning of an "offer for sale" under the patent statute, albeit under

Section 271(a) of Title 35 ("whoever without authority . . . *offers to sell* . . . any patented invention, within the United States" infringes the patent). Thus in *Rotec Industries, Inc. v. Mitsubishi Corp.*, 215 F.2d 1246, 1254-55 (Fed. Cir. 2000), the Court was faced with the issue of whether an infringing "offer for sale" had been made in the United States. Just as it did in the decision below, the Federal Circuit reasoned that

> Therefore, we similarly define § 271(a)'s "offer to sell" liability according to the norms of traditional contractual analysis.
>
> Our task here is similar to the task presented in *Enercon v. ITC*, 151 F.3d 1376, 47 USPQ2d 1725 (Fed. Cir. 1998). [wherein the Court] . . . turned to traditional sources on the meaning of the term, including dictionaries and the Uniform Commercial Code. *See id.* In this case, Congress has again elected not to provide an explicit definition of the term at issue. As a result, we conclude that the meaning of "offer to sell" is to be interpreted according to its ordinary meaning in contract law, as revealed by traditional sources of authority.

Applying this "ordinary meaning in contract law" to the evidence, the Court had no trouble concluding that there was *no* offer within the meaning of the statute, i.e., the testimony

> does not show that any Defendant communicated a "manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it." *Restatement (Second) of Contracts* § 24 (1979)

(215 F.3d at 1257).

Also, following the *Group One* decision below, the Federal Circuit has actually undertaken to implement its bright-line standard. Not only has the standard proven equal to the task, but its application marks the low point of Hallmark's argument. Here Hallmark cites *Scaltech, Inc. v. Retec/Tetra, L.L.C.*, 269 F.3d 1321 (Fed. Cir. 2001), and glibly asserts that

> there is no reason in the policies underlying the on sale bar to treat, as the Federal Circuit has, this case any differently from another case [*Scaltech*] where an offer was made but not accepted- . . . merely because the offer . . . [in the prior case] included a price quote and was "firm for 90 days."

No reason to treat the cases differently indeed! In *Scaltech*, the *Group One* test was first summarized by the Federal Circuit:

> Recently, this court has defined what constitutes an offer for sale for purposes of this statutory bar. "Only an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under § 102(b)." *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1048, 59 USPQ2d 1121, 1126 (Fed. Cir. 2001). This issue is governed by federal common law. *Id.* at 1047. *See also Univ. of Colo. Found., Inc. v. Am. Cyanamid Co.*, 196 F.3d 1366, 1372, 52 USPQ2d 1801, 1805 (Fed. Cir. 1999) (concluding that the need for national uniformity in patent law requires the application of federal common law). To determine if the offer is sufficiently

> definite, one must examine the language of a proposal in accordance with the principles of general contract law. *See Group One*, 254 F.3d at 1048. An important relevant source of general contract law for determining whether a "communication or series of communications rises to the level of a commercial offer for sale" is the Uniform Commercial Code ("UCC"). *Id.* at 1047.

The application of this bright-line test to the facts rendered the outcome of patent invalidity clearcut:

> The accompanying formal proposal documents of September 8, 1988, indicated that the "quotation is based on one centrifuge," and that "[t]his offer is firm for 90 days." Likewise, in its November 15, 1988, proposal to Champlin Refining Company, Scaltech's proposal repeated the above phrases regarding the quotation and the duration of the offer.

The facts of *Scaltech* are to be contrasted with those of the present case, where there was no disclosure of the invention, no delivery terms, no price. The result was equally clearcut, but exactly the opposite of that in *Scaltech*. As noted by the Federal Circuit:

> On appeal here, the parties do not dispute the conclusion by the district court that no such commercial offer to sell was made.

(Petition at 15a).

In a word, the *Group One* test works: it readily results in the imposition of the on-sale bar where a real world offer is made prior to the critical date, and just as readily renders it inapplicable where there is no offer capable of acceptance.

III. CONCLUSION

No one denies that the decision below involved an important question of patent law. However, this Court does not revisit and sign off on every decision that is important. The President does that with acts of Congress.

Where, as here, the Federal Circuit has fulfilled its function, and has applied and clarified its precedent and appropriately rejected its non-binding *dictum*, there can be no more fitting imprimatur of the decision below than the denial of Hallmark's Petition.

Respectfully submitted,

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